

Annals of Medicine The Cost Conundrum

(Version B)

A Summary: “The Cost Conundrum” by Atul Gawande

This article explores the problem of high healthcare costs in America by taking a case study of a Texan town, McAllen. The author draws comparisons with a nearby county, El Paso, to reach a plausible explanation, and looks to the Mayo Clinic in Minnesota, Florida and Arizona, and the community of Grand Junction, Colorado, which are renowned for their low-cost, high-quality healthcare system, as models on which to base healthcare reform.

America’s healthcare system: The most expensive in the world

- Healthcare reform is not only to expand medical coverage, but also to reduce costs.
- These high costs are incredibly damaging to families, American businesses’ competitiveness on the global market and the government budget.
- President Obama: “By a wide margin, the biggest threat to our nation’s balance sheet is the skyrocketing cost of health care.”
- Current healthcare spending: “...consumes more than one of every six dollars we earn.”
- Peter Orszag, the President’s Budget Director, believes that it is possible to reduce up to 30% of the healthcare costs, without directly affecting health outcomes, by matching spending in the high and mid range area to that of the low range areas.
- **But why?** “We may be more obese than any other industrialized nation, but we have the lowest rates of smoking and alcoholism, and we are in the middle range for cardiovascular disease and diabetes.”

A snapshot of McAllen, Texas

Some problems:

- Average income: \$12,000 per capita
- High poverty rate
- Heavy drinking incidence 60% higher than the national average
- 38% obesity rate

Healthcare expenditure: One of the highest in the nation

- Medicare spent \$15,000 per enrollee in 2006: almost twice as much as the national average and only outspent by Miami, FL
- Comparison with El Paso: \$7,504 spent per Medicare enrollee in 2006 – half as much as McAllen

Why so expensive? Not because of:

- Advanced technologies and treatments in hospitals: El Paso offers the same technologies
- Supply of doctors similar to that in El Paso
- Better quality: McAllen’s largest hospitals on average ranked lower than those in El Paso, as rated by Medicare.
 - A Dartmouth study by Katherine Baicker and Amitabh Chandra: The more money spent per Medicare enrollment, the lower the state’s quality ranking, e.g. LA, TX, CA, FL
 - Why? 2003 Dartmouth study by Elliott Fisher showed that more is not necessarily better in medicine: more people die from complications of surgery than in car crashes.

The cause of high healthcare costs: overuse of medicine

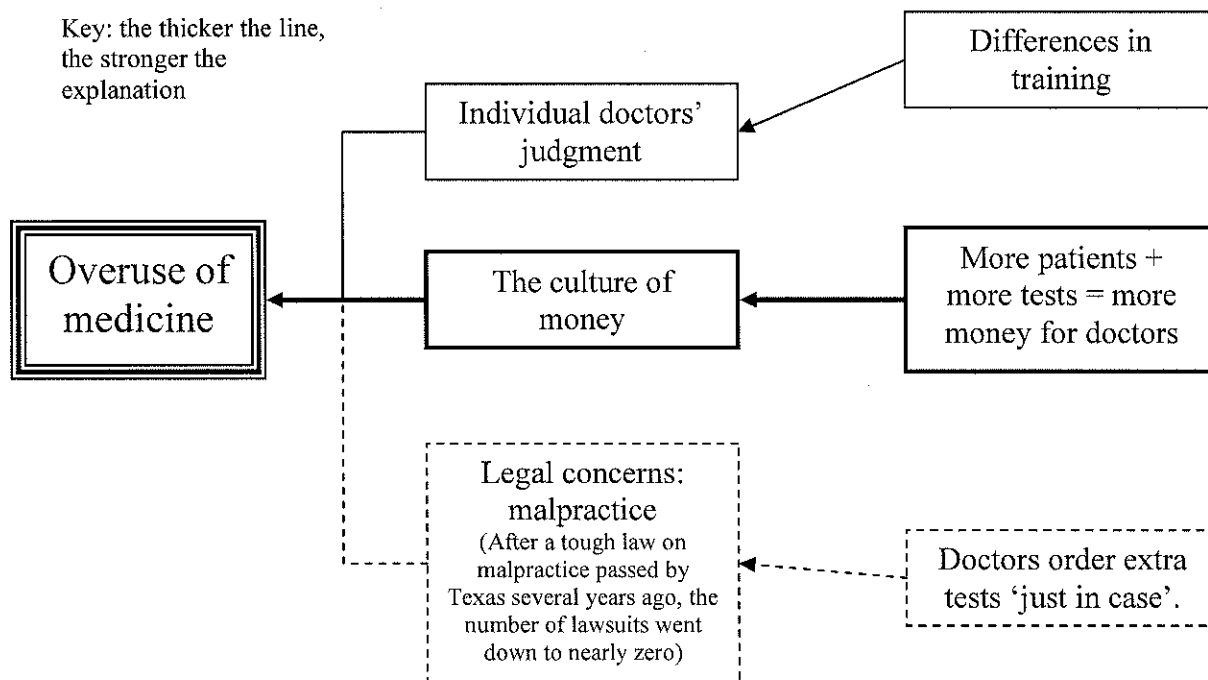
Individual doctors' judgment:

- “Physicians in places like McAllen behave differently from others. The \$2.4-trillion question is why. Unless we figure it out, health reform will fail.”
- 2003 Dartmouth study by Elliott Fisher: Patients in high-cost areas tend to receive less low-cost preventive measures, e.g. flu and pneumonia vaccines, but more expensive procedures
- Another Dartmouth study by Brenda Sirovich: “In situations in which the right thing to do was well established...physicians in high- and low-cost cities made the same decisions. But, in cases in which the science was unclear, some physicians pursued the maximum possible amount of testing and procedures; some pursued the minimum.”
 - Doctors from the most expensive cities prescribed the most expensive treatments
 - **Why?** Partially due to differences in training
 - *But, in the case of McAllen, the doctors do not seem to be trained differently from those in El Paso.*

The culture of money:

- Dr. Lester Dyke, a cardiac surgeon in McAllen: “We took a wrong turn when doctors stopped being doctors and became businessmen.”
- Some doctors don't think about the financial implications of their prescriptions; others consider insurance money in order to improve the service they can provide; still others “see their practice primarily as a revenue stream.”
- In McAllen, a culture of money has developed: some doctors have come to expect a monetary ‘reward’ for sending their patients to hospitals, i.e. “steering business in their direction.”
 - The most tests and procedures
- But El Paso is not like McAllen, even though, “Every incentive in the system is an invitation to go the way McAllen has gone.”

The Cause of High Healthcare Costs



Alternative models: an accountable-care organization

The Mayo Clinic

- Core tenet: "The needs of the patient come first."
- **How?** The Mayo Clinic changed the incentives by taking away financial barriers.
 - Instead of paying each doctor relative to the number of patients treated, all the money that the hospital and the doctors received was pooled together and everyone was paid a salary. Therefore, doctors' main goal is not to increase their income.
- Emphasis is also placed on doctors working together rather than separately: this increases the expertise of the team, thus reducing the need for a lot of different tests.

Grand Junction, CO

- Doctors in Grand Junction receive fees from insurers, but have agreed to follow a system that paid everyone a similar fee regardless of which type of patients they saw (i.e. Medicare, Medicaid or private-insured patients) to change the incentives from financial advancement to patient care.
- The doctors also agreed to meet regularly in peer-review committees to share their experiences with patients. In 2004, the doctors and the local Health Maintenance Organization (H.M.O.) created a regional information network that allowed doctors to share expertise.
- The result: decreased problems, higher quality, lower costs.

Moving forward with healthcare reform

- Activists and policy makers in the United States have focused the Health Care debate on who will pay for the medical bills. This debate misses the main issue: who pays the bills makes no difference if doctors and caregivers are not subject to a system of accountability.
- There is a need to look to Grand Junction and the Mayo Clinic as models for effective healthcare systems.
- What we need:
 - Someone in charge of managing medical care, be it insurers or local medical communities.
 - This reform will be experimental by nature and we need to fund research to compare the effectiveness of different healthcare systems.

"As America struggles to extend health-care coverage while curbing health-care costs, we face a decision that is more important than whether we have a public-insurance option, more important than whether we will have a single-payer system in the long run or a mixture of public and private insurance, as we do now. The decision is whether we are going to reward the leaders who are trying to build a new generation of Mayos and Grand Junctions. If we don't, McAllen won't be an outlier. It will be our future."